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FM AMEMBASSY MANILA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 3077

INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE
RHHMUNA/CDRUSPACOM HONOLULU HI IMMEDIATE

RHEHNSC/NSC WASHDC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 MANILA 000239

SIPDIS

E.O. 12958: DECL: 02/03/2019

TAGS: OVIP PGOV PREL RP BA

SUBJECT: PHILIPPINE PRESIDENT ARROYO'S TRAVEL TO WASHINGTON

Classified By: Ambassador Kristie A. Kenney, Reasons 1.4 (b) and (d)

¶11. (C) SUMMARY: Philippine President Gloria Macapagal Arroyo has made last-minute plans to travel to Washington later this week to attend the 2009 National Prayer Breakfast on Thursday, February 5 and meet with members of the U.S. Congress. President Arroyo, like so many around the world, has been eager to engage with President Obama, his cabinet, and the new U.S. Congress. The last-minute Prayer Breakfast provided an opportunity she didn't want to miss. President Arroyo is currently traveling in Europe and the Middle East, to attend the Davos World Economic forum and meet with Saudi and Bahraini officials to discuss Filipino overseas workers in the region. END SUMMARY.

¶12. (C) Presidential Press Secretary Cerge Remonde outlined that Arroyo had received formal invitations January 30, prior to her departure for Davos, from several members of Congress. President Arroyo, now approaching her last year in office, likely sees in the Prayer Breakfast a not-to-be-missed opportunity to engage the new administration, and she may seek to gauge congressional sentiment on a number of issues at the forefront of U.S.-Philippine relations. Fresh from World Economic Forum meetings in Davos, where she called for a more proactive U.S. role in addressing the global economic crisis, President Arroyo will no doubt wish to discuss trade issues and other economic matters, including a compact with the Millennium Challenge Corporation. Although the Philippines qualified in 2006 for a \$21 million, two-year MCC threshold program in good governance, the MCC announced in December 2008 that any signing of a compact would have to await greater progress in addressing corruption. Another bilateral matter Arroyo may wish to raise regards legislation pending in the U.S. Congress that would enhance benefits for Filipino World War II veterans who fought alongside American servicemen; this has remained a high-profile issue in Philippine national media.

PHILIPPINES NOT IMMUNE TO GLOBAL ECONOMIC SLOWDOWN

¶13. (C) After topping 7 percent economic growth in 2007, the Philippine gross domestic product slowed in 2008 to approximately 5 percent. Philippine businesses as well as several U.S. companies, including Intel, have recently announced plant closures and large-scale layoffs, and economic pain from the recession is widening. Should the global economic downturn be prolonged, the impact on poverty in the Philippines, where almost half the population lives on less than \$2.00/day, could be significant, leading to further social unrest and deteriorating domestic security. On the positive side, the Philippine banking system is relatively sound and not heavily exposed to risks from current global financial turmoil. The U.S. remains the Philippines' largest trading partner, with over \$17 billion in two-way trade during 2007. The U.S. is also the largest investor here, with \$6.6 billion in equity. Liberalization of the restrictive Philippine regime for foreign investment is currently under discussion. It would be useful to impress on

President Arroyo (an economist by training) that further opening of the Philippine economy to international trade and investment would help her country prepare for, and take advantage of, increasing growth when the world economy begins to recover from the current downturn.

MINDANAO PEACE PROCESS -- PROGRESS NEEDED

14. (C) Although peace talks with separatist Moro Islamic Liberation Front (MILF) insurgents have remained stalled since bitter fighting broke out in August, prospects look good for a resumption of negotiations in April. Groundwork already proceeding includes a reconstituted government peace panel, a newly-appointed chief negotiator, back-channel communications with Muslim rebels, and overtures to Malaysia and other nations on an active role as mediator in facilitating renewed talks. A firmly reestablished ceasefire and renewed peace talks would create a more positive atmosphere for talks and allow tens of thousands of displaced people to return home. In public remarks January 20, President Arroyo stated that 2009 would be a "comeback year for peace;" she must continue to emphasize to all stakeholders that a robust Peace Process between the Philippine government and the MILF will encourage stability in the region and enhance economic development.

PROMOTING HUMAN RIGHTS

15. (C) President Arroyo has consistently expressed her commitment to making greater progress on the longstanding

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problem of extrajudicial killings, and has taken concrete steps in this direction. Partly due to increased attention by the Philippine government, the number of extrajudicial killings decreased dramatically through 2007 and 2008, but greater efforts are needed. While many execution-style slayings among politicians and others are likely a result of local disputes and longstanding feuds among rival clans, the government needs to do more to ensure that all such crimes -- whether or not linked to security forces -- are fully investigated, and that those responsible are brought to justice. The Embassy continues to press the issue at the highest levels of the Philippine government, and is implementing a comprehensive plan of public-outreach activities, training, and institution-building to make further progress in addressing the problem.

KENNEY